

Message Text

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E.O. 11652: N/A

TAGS: EFIN, SY

SUBJ: CLAIMS NEGOTIATIONS: STATUS OF EXXON CLAIM

REF: DAMASCUS 585

1. SUMMARY: ESSO NEGOTIATIONS WITH SARG ON GOVERNMENT CUSTOMS CLAIM REACHED IMPASSE AFTER SEVERAL NEGOTIATING SESSIONS WITH EXXON/NEW YORK REJECTING SYRIAN CLAIM OF LS 1.5 MILLION (COMPARED WITH ORIGINAL SARG CLAIM OF LS 22 MILLION). ESSO NATIONALIZATION CLAIM HAS NOT BEEN SUBJECT OF THESE NEGOTIATIONS. POSSIBILITY MAY EXIST FOR SUBSEQUENT LINKAGE AND WASH TRANSACTION BETWEEN CUSTOMS CLAIM AND COMPENSATION FOR NATIONALIZATION. EMBASSY RECOMMENDS WE RAISE ALL PRIVATE CLAIMS WITH SARG AS SOON AS POSSIBLE AFTER AUG 4 FILING DEADLINE. END SUMMARY.

2. BRYAN C. JONES, GENERAL MANAGER, ESSO STANDARD (NEAR EAST), INC., BEIRUT, AND HIS CHIEF ACCOUNTANT FARES ABU JAWDEH, DISCUSSIONS OVER PAST SEVERAL MONTHS WITH SARG FINANCE MINISTRY AND CUSTOMS OFFICIALS CONCERNING SARG CUSTOMS CLAIMS AGAINST ESSO. IN INITIAL MEETING WITH SARG FINANCE MINISTER SHARIF MARCH 6, SHARIF REQUESTED THAT CUSTOMS CASE BE DISCUSSED FIRST WITH NO LINKAGE TO ESSO NATIONALIZATION
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CLAIM AGAINST SARG. JONES BELIEVED AT THAT TIME AFTER DIS-

CUSSIONS AT TECHNICAL LEVEL HAD REACHED CONCLUSION, TWO ISSUES WOULD BE LINKED AT HIGHER LEVEL WITH POSSIBILITY OF WASH TRANSACTION BETWEEN THE TWO CLAIMS.

3. JONES WAS ENCOURAGED BY INITIAL DISCUSSION AT TECHNICAL LEVEL (DEPUTY FINANCE MINISTER, FINANCE LEGAL CHIEF, AND DEPUTY GENERAL DIRECTOR OF CUSTOMS). SARG CLAIMED LS 22.4 MILLION (\$6.1 MILLION) WAS PARED DOWN TO LS 600,000 (\$164,000). BUT DEPFINMIN INFORMED JONES WHEN THIS FIGURE WAS PRESENTED TO MINFINANCE SHARIF, HE REJECTED IT AND INSTRUCTED NEGOTIATORS TO RETURN TO ESSO FOR FURTHER TALKS. NEGOTIATIONS SUBSEQUENTLY REACHED IMPASSE WITH SYRIANS INSISTING ON LS 1.5 MILLION (\$411,000) AND JONES RESPONDING WITH EXXON/NEW YORK'S REJECTION OF THIS FIGURE. (EXXON CLAIMS THERE IS NO LEGAL BASIS FOR ANY CLAIM AND IN ANY EVENT ORIGINAL ADDITIONAL DUTIES SYRIANS CLAIMED EXXON/ESSO OWED FOR 1951/59 AMOUNTED TO ONLY \$29,000). FYI JONES SAYS HE MIGHT BE ABLE TO CONVINCE EXXON TO GO UP TO LS ONE MILLION (\$274,000) OR SLIGHTLY HIGHER AS THIS WOULD BE CLOSE TO WASH TRANSACTION IF SARG ACCEPTS ESSO'S FIGURE OF \$342,000 (INCLUDING \$100,000 OF GOODWILL) FOR NATIONALIZATION CLAIM. END FYI. JONES NOT CERTAIN WHAT VALUE SARG WILL PUT ON ESSO'S NATIONALIZED ASSETS; EXXON INTERNAL BRIEFING PAPER OF AUG 13, 1974 CITED UNOFFICIAL REPORT OF SARG EVALUATION OF SOMEWHERE BETWEEN \$50,000 AND \$130,000.

4. WHILE JONES BELIEVES EXXON WOULD ACCEPT WASH TRANSACTION, EXXON WILL WANT WRITTEN EVIDENCE FROM SARG THAT COMPENSATION FOR NATIONALIZATION WAS INDEED PAID BY SARG. WITHOUT SUCH STATEMENT, EXXON FEARFUL OF ESTABLISHING NEGATIVE PRECEDENT WHICH WOULD PRODUCE NEGATIVE EFFECT IN OTHER CASES, E.G. MOROCCO.

5. JONES REPORTED THAT SYRIANS, PERHAPS AS NEGOTIATING PLOY, NOTED THEY WERE ATTEMPTING TO CONVINCE LEBANESE GOVT TO ALLOW SARG CUSTOMS CASES TO BE RAISED IN LEBANESE COURTS. WHEN SARG LAST TRIED THIS TACK, LEBANESE COURT RULED SUCH CASES DID NOT RPT NOT FALL UNDER 1951 SARG/GOL AGREEMENT UNDER WHICH SYRIAN CASES COULD BE TRIED IN LEBANON. JONES NOT OVERLY CONCERNED AS ESSO LAWYER SAYS ANY SUCH SARG/GOL LIMITED OFFICIAL USE

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AGREEMENT, WHICH MIGHT TAKE UP TO TWO YEARS TO ACHIEVE, NO DOUBT WOULD NOT BE RETROACTIVE.

6. JONES SAYS HE HAS DONE HIS BEST TO CONVINCE EXXON/NEW YORK TO INVESTIGATE EXPLORATION OPPORTUNITIES IN SYRIA, BUT RESPONSE HAS SO FAR BEEN TOTALLY NEGATIVE (DESPITE EXXON CHAIRMAN JAMIESON'S REMARKS TO PRESIDENT ASAD LAST JANUARY, DAMASCUS 264). ESSO SALES TO SYRIA HAVE BEEN AVERAGING

\$3.5 MILLION ANNUALLY, MAINLY LUBES; THIS FIGURE PROBABLY
WILL DROP WHEN NEW SYRIAN LUBE PLANT COMES ONSTREAM.

7. JONES ASKED IF WE HAD HEARD FROM DEPT RE PRIVATE CLAIMS,
DEADLINE FOR FILING OF WHICH IS AUGUST 4. WE HAD NOT, BUT
UPON RECEIPT OF INSTRUCTIONS FROM DEPT, WE PLAN TO RAISE
IMMEDIATELY THE CLAIMS OF ESSO AND OTHERS WITH SARG. JONES
APPRECIATED THIS APPROACH AND BELIEVES THAT EXXON HAS ALREADY
FILED WITH DEPT.

8. ACTION REQUESTED: AS SOON AS POSSIBLE AFTER AUGUST 4,
WE WOULD APPRECIATE CABLED SUMMARY OF CLAIMS FILED WITH
DEPT AND INSTRUCTIONS AS TO NEXT STEPS TO TAKE HERE. WE
ASSUME WE WILL SUBSEQUENTLY RECEIVE BY POUCH FULL DOCU-
MENTATION ON ALL PRIVATE CLAIMS.
MURPHY

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